



State of Connecticut
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Testimony in Support of House Bill 5290
Finance, Revenue, and Bonding Committee
March 10, 2023

Chairs Horn and Fonfara, Ranking Members Cheeseman and Martin, and members of the Finance, Revenue, and Bonding Committee, we appreciate the committee hearing House Bill 5290, *An Act Sunsetting the Highway Use Tax*.

You may recall during 2021, Governor Lamont proposed two new revenue sources to fund the then-cash-strapped Special Transportation Fund during his budget address.¹ He proposed to enact the controversial Transportation Climate Initiative (TCI) and a new and equally controversial Highway Use Tax (HUT). This new tax is levied on the largest trucks traveling in our state. He couldn't get TCI passed so he and the majority party decided to pursue this new tax instead.

During the public hearing, the trucking industry testified that this tax is punitive, costly, and singles them out. It was known then that this tax will increase the cost of doing business in our state and make Connecticut even more unaffordable. Even the majority party acknowledges this problem in bills such as SB 350² that exempt certain types of trucks from this tax. This tax will disproportionately burden in-state trucking companies that haul goods every day through our state forcing them to pass the cost of this tax on to Connecticut's consumers in the form of higher prices. According to the trucking industry, it will cost small to medium trucking companies anywhere from \$100,000 to \$200,000 a year in added costs.

The administrative cost of compliance for trucking companies is also significant. A motor carrier's tax burden is calculated based on the weight of the vehicle and the number of miles travelled on all Connecticut roads, not just major highways. Additionally, motor carriers are required to file a return with the state Department of Revenue Services and remit payment on a monthly basis. In New York, carriers report on a quarterly basis. Motor carriers are spending significant time and resources to create and maintain these records to ensure they comply with the law. This administrative burden represents time and resources that could be invested back into growing the company.

¹ <https://portal.ct.gov/Office-of-the-Governor/News/Speeches/Governor-Lamont-Fiscal-Year-2022-2023-Biennial-Budget-Address>

² https://cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2023&bill_num=350

Connecticut would not be alone if this tax is repealed. There have been upwards of 20 states that have enacted similar mileage-based taxes on trucks and later repealed them, citing revenue amounts that fell far short of projections. Likewise, we believe Connecticut will not see the projected \$90 million per year in revenue from this tax given the likelihood that many motor carriers, whether knowingly or unknowingly, will evade it.

The trucking industry is the backbone of our economy. Businesses and consumers rely on trucking companies to deliver goods and services to them. We should not be levying this additional tax on the trucking industry and, indirectly, onto our state's residents. Repealing this tax would send the message to businesses and consumers that we are committed to lowering the cost of living and doing business here in this state. Consequently, this tax should be repealed.

We thank the committee for hearing this bill and strongly urge its passage to the House Floor for debate on its merits.